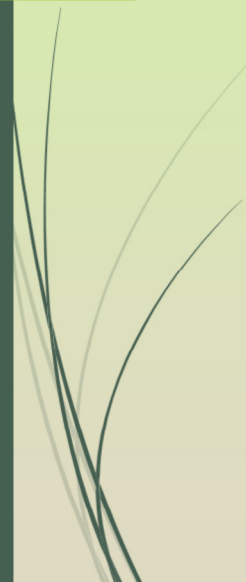


Welcome to the second training module on Prevailing Wages for Architectural and Engineering firms contracting with Caltrans and Local Government Agencies on Public Works projects.


In the first module we introduced general information on Prevailing Wages for A&E firms. We welcome you to view the first module before this one to get a background on Prevailing Wages.

In this module we will discuss in greater detail the specific methods on how firms can account for Prevailing Wages.



2 **LEARNING OUTCOMES FOR PREVAILING WAGES (PW)**

- To understand how different methods for accounting for PW affect the Indirect Cost Rate (ICR)
- To understand how to bill Delta Base and Delta Fringe Costs under the different accounting methods
- To know the documentation requirements for each method
- To know the accounting method available for use on Safe Harbor Rate (SHR) firms

June 2018 

These are the learning outcomes for this module:

- To understand how different methods for accounting for Prevailing Wages affect the Indirect Cost Rate
- To understand how to bill Delta Base and Delta Fringe under each accounting method
- To know the documentation requirements for each method
- To know the accounting methods available for use by Safe Harbor Rate (SHR) firms

3

METHODS TO ACCOUNT FOR DELTAS

- Direct Labor Cost Method
- Other Direct Cost Method
- Indirect Labor/Overhead Cost Method

A different method to account for the delta base and delta fringe is *allowable* as long as the same method is *consistently* used when billing these costs to all contracts.

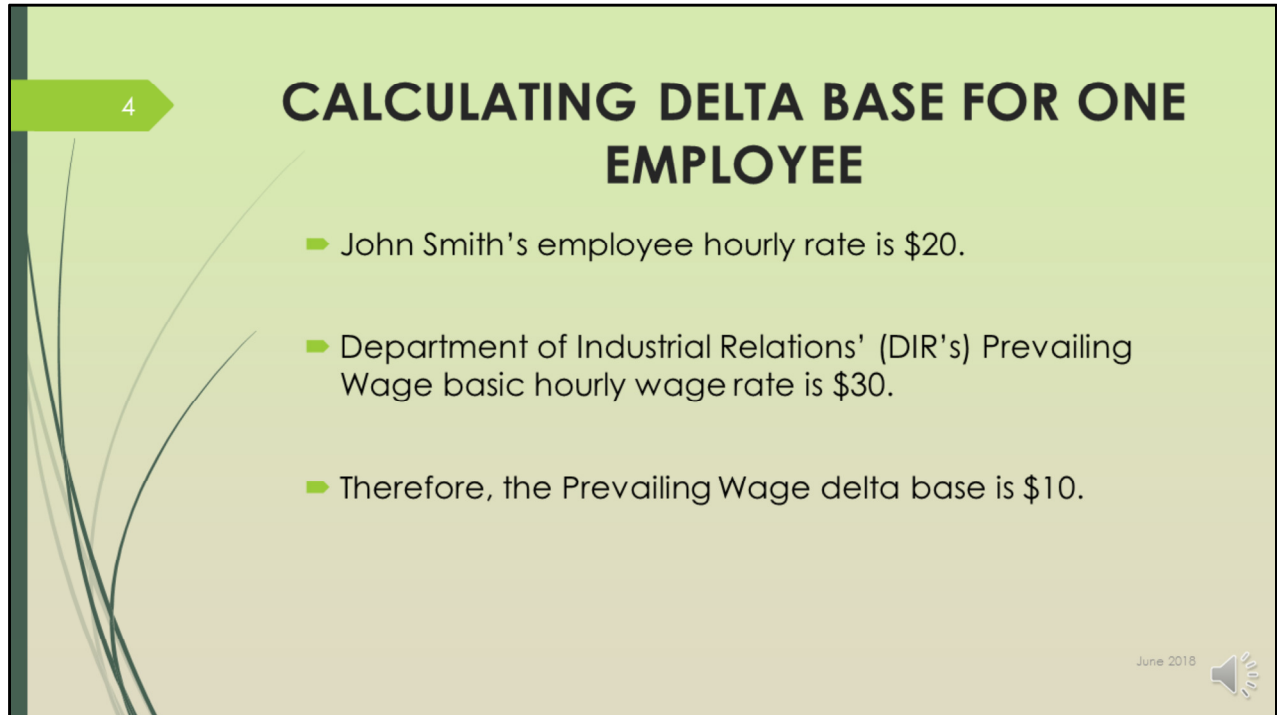
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To recap what we presented in the first Prevailing Wage Training module:

- When there is a difference between the Department of Industrial Relations, or DIR, Prevailing Wage Rates and the employee rates then it is referred to as a Prevailing Wage Delta.
- There are three methods that A&E firms may use to account for prevailing wage delta costs.
 - The Direct Labor Cost Method
 - The Other Direct Cost Method
 - Indirect Labor Cost Method, which is also known as the Overhead Cost Method
- It is allowable for a firm to use one accounting method for the Delta Base and a different accounting method for the Delta Fringe, provided the firm uses the same method respectively and consistently across all contracts.
- For those consultants who have not yet encountered deltas, they must choose an accounting method for the Delta Base and Delta Fringe and document it in a policy. The method must be consistently applied across all contracts.
 - Note: It is important for firms to understand the abilities and limitations of their accounting software in selecting an accounting method.


As a guide to assist A&E firms in gaining a better understanding of how to account and bill for Prevailing Wages, A&I has developed a Prevailing Wage Interpretive Guidance that can be accessed on A&I's website which is listed on our resources page at the end of this module.



4

CALCULATING DELTA BASE FOR ONE EMPLOYEE

- ▶ John Smith's employee hourly rate is \$20.
- ▶ Department of Industrial Relations' (DIR's) Prevailing Wage basic hourly wage rate is \$30.
- ▶ Therefore, the Prevailing Wage delta base is \$10.

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To provide a simple example, we will show you how to calculate a Prevailing Wage Delta for one employee's hourly base rate.

Let's assume John Smith's hourly rate is \$20.

The Prevailing Wage basic hourly wage rate for this classification established by DIR is \$30.

Therefore, the difference, or the delta in this case, is \$10.

5

CALCULATING DELTAS FOR AN ENTIRE FIRM

- Firm ABC has total actual hourly base wages costs of \$1,000,000.
- Total Prevailing Wage hourly base wage and hourly fringe cost is \$1,020,000.
- Therefore, Prevailing Wage Delta for both base wage and fringe is \$20,000.

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Now in this example, we will show you how to calculate the total delta base and delta fringe cost for all employees for an entire year.

Let's assume firm ABC has total combined employee hourly base wages of \$1,000,000 which is a direct labor cost.

And the total combined hourly base wages and hourly fringe costs based on DIR's Prevailing Wage rates is \$1,020,000.

The difference or delta for the combined base and fringe in this case is \$20,000.

In the following slides, we will show you how the method used to account for the Delta of \$20,000 will affect the ICR.

6 EFFECT OF "DIRECT LABOR" METHOD

DIRECT LABOR METHOD	Example	Add Prevailing Wage Deltas	Adjusted
Total direct labor costs	\$1,000,000	\$20,000	\$1,020,000
Total indirect costs	\$1,600,000		\$1,600,000
MINUS: FAR unallowable costs	\$100,000		\$100,000
Total FAR allowable indirect costs	\$1,500,000		\$1,500,000
Indirect cost rate	150.00%		147.06%

Indirect cost rate =
 Total FAR* allowable indirect costs / Total direct labor costs (billable and non-billable)
 *48 CFR Part 1 Chapter 31

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The Effect of the Direct Labor Method

This illustration shows how the Direct Labor methodology impacts the indirect cost rate calculation.

As shown on the previous slide, the \$20,000 delta is recorded in the Direct Labor account on the financial records.

We arrive at the indirect cost rate of 147.06% by dividing the total FAR allowable indirect costs of \$1,500,000 / Total direct labor costs of \$1,020,000.

Total FAR allowable indirect costs means that the costs are allowable in accordance with the Federal Acquisition Regulation (FAR), specifically 48 Code of Federal Regulations (CFR) Part 1, Chapter 31.

For those who are not familiar with indirect cost rate calculation, it is summarized as follows:

Indirect cost rate = Total FAR allowable indirect costs / Total direct labor costs (billable and non-billable).

7

EFFECT OF “OTHER DIRECT COST” METHOD

OTHER DIRECT COST METHOD	Example	Add Prevailing Wage Deltas	Adjusted
Total direct labor costs	\$1,000,000		\$1,000,000
Total indirect costs	\$1,600,000		\$1,600,000
MINUS: FAR unallowable costs	\$100,000		\$100,000
Total FAR allowable indirect costs	\$1,500,000		\$1,500,000
Indirect cost rate	150.00%		150.00%
Prevailing wage other direct costs	\$0	\$20,000	\$20,000

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**The Effect of the Other Direct Cost Method**

This illustration shows how the Other Direct Cost method impacts the ICR.

In this case the \$20,000 delta, is recorded as an Other Direct Cost.

Under this method, there is NO impact to the indirect cost rate. As you can see the indirect cost rate remains the same at 150%. This is because the total FAR allowable indirect costs of \$1,500,000 / Total direct labor costs of \$1,000,000.

8

EFFECT OF “INDIRECT LABOR/OVERHEAD COST” METHOD

INDIRECT LABOR/OVERHEAD METHOD	Example	Add Prevailing Wage Deltas	Adjusted
Total direct labor costs	\$1,000,000		\$1,000,000
Total indirect costs	\$1,600,000	\$20,000	\$1,620,000
MINUS: FAR unallowable costs	\$100,000		\$100,000
Total FAR allowable indirect costs	\$1,500,000		\$1,520,000
Indirect cost rate	150.00%		152.00%

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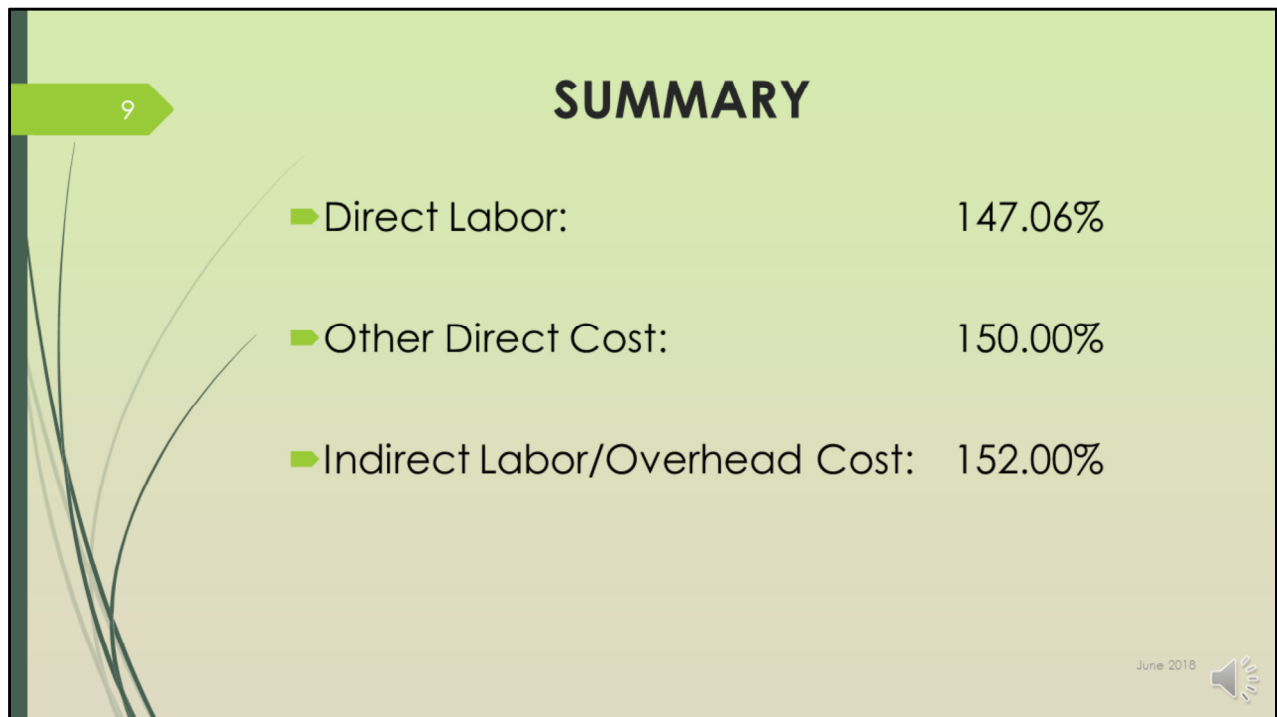


The Indirect Labor or Overhead Cost Method

Next we will show you the impact to the ICR using the Indirect Labor/Overhead Cost method.

The \$20,000 delta is recorded as Indirect Labor costs.

The adjusted indirect cost rate, impacted by having the Prevailing Wage delta added to the Overhead costs, is 152%. This is calculated by dividing the total FAR allowable indirect costs of \$1,520,000 / Total direct labor costs of \$1,000,000.



SUMMARY	
➤ Direct Labor:	147.06%
➤ Other Direct Cost:	150.00%
➤ Indirect Labor/Overhead Cost:	152.00%


Here is a summary of all three methods so you can compare them.

As shown on the previous slides, each method affects the indirect cost rate differently.

- Under the Direct Labor Methodology, the ICR is 147.06%.
- Under the Other Direct Cost Methodology, the ICR is 150%.
- Under the Indirect Labor or Overhead Cost Methodology, the ICR is 152%.

Typically you would associate the PW Rates as Direct Labor costs as the labor relates to direct projects. However, some firms may elect to use the Other Direct Cost or Indirect Labor methodology.


Later in this training we will go through detailed examples of applying the indirect cost rate from each methodology to a Cost Proposal.



10

EFFECT OF METHODS ON BILLING DELTA BASE AND DELTA FRINGE

- ▶ Multipliers are values that are multiplied against the Delta Base and Delta Fringe amounts to determine the amount to be billed.
- ▶ A different multiplier will be used depending on the method used.

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In this section, we will explain how to bill “Delta Base” and “Delta Fringe” under each method.

The first thing to understand when billing for Prevailing Wage contracts are the Multipliers.


Multipliers are values that are multiplied against the Delta Base and Delta Fringe to determine the amount to be billed.

Each methodology utilizes a different Multiplier.

11

EFFECTS OF DIFFERENT MULTIPLIERS

- Direct Labor Cost method
The delta base and delta fringe can be billed **at cost multiplied by the ICR (Overhead Rate) and Fee Rate**. This multiplier is $(1 + \text{OH Rate}) \times (1 + \text{Fee Rate})$.
- Other Direct Cost method
The delta base and delta fringe can be **billed at cost**. This multiplier is "1".
- Indirect Labor/Overhead Cost method
The delta base and delta fringe cannot be billed because they are **included as Indirect Labor/Overhead costs**. This multiplier is therefore "0".

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This slide shows the Multiplier for each methodology.

Starting with the Direct Labor methodology, the costs billed for Delta Base and Delta Fringe are multiplied by the Indirect Cost Rate and the Fee Rate. The equation is: $(1 + \text{OH Rate}) \times (1 + \text{Fee Rate})$.

This is also known as the "Full multiplier." It is called the full multiplier because it will reimburse the full delta costs plus the overhead and the fee.

For the Other Direct Cost methodology, because Delta Base and Delta Fringe are billed at cost, the multiplier is one. The multiplier is one because it will reimburse only the deltas.


The Indirect Labor/Overhead Cost methodology, the Delta Base and Delta Fringe cannot be billed under this method, because the Deltas are included as part of the overhead cost. For that reason the multiplier is zero.

12

MULTIPLIERS

Accounting Method	Multiplied to
Direct Labor	Delta Base or Delta Fringe * (1+OH)(1+Fee)
Other Direct Cost	Delta Base or Delta Fringe * 1
Overhead / Indirect Cost	Delta Base or Delta Fringe * 0

Must be consistent with the accounting method.

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Here is a matrix summarizing the Multipliers.

Please keep in mind that the reimbursement method must be consistent with the firm's accounting treatment of such costs. The accounting method chosen affects how a firm is reimbursed for the deltas incurred, and it is the responsibility of A&E firms to provide support documentation for prevailing wage delta treatment upon request.

13

Example of Cost Proposal for Prevailing Wage

STATE OF CALIFORNIA - DEPARTMENT OF TRANSPORTATION
COST PROPOSAL
ON-CALL CONTRACT
ADM 2033 (Rev. 10/12)

NORTHERN CALIFORNIA
DIDETERMINATION NC433-9-2016-1

Contract # 000-0000
Attachment 1
Consultant: Happy Consulting, Inc.
Date: 05/03/17
Page 7 of 25

Field Office Personnel:		Fringe Benefit %	Overhead %	General Administration %	Combined %
NORMAL					147.90%
OVERTIME					147.90%
		Fee =			7.90%
		Applicable Multiple Multiplier Profit =			1.24%
		Applicable Multiple Fringe Profit =			1.43%

Name/Classification	How Class Prevailing Wage Rate	Prevailing Wage Rate established by State DWR (only applicable to prevailing wage work)				Employee Actual Rate (range includes every year over year)				Applicable DELTA (DWR) + Employee Base - DB Total				DELTA (DWR) + Employee Base - DB Rate				Applicable DELTA (DWR) + DB Rate - Employee Base Rate				Applicable DELTA (DWR) + DELTA TOTAL - DELTA RATE				Linked Hourly Billing Rates		Effective Date of Hourly Rate		% Escalation Increase	Actual Hourly Rate for Class	Hourly Range for Class		
		Base Rate	15.01	20.01	25.01	Base Rate	15.01	20.01	25.01	Base Rate	15.01	20.01	25.01	Base Rate	15.01	20.01	25.01	Base Rate	15.01	20.01	25.01	Base Rate	15.01	20.01	25.01	OT (24)	OT (24)	From	To					
John Doe Lead Inspector Group 1	FIELD	\$43.50	\$56.34	\$67.12	\$79.98	\$75.54	\$106.32	\$117.10	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	N/A
Prevailing Wage Work (Example)		\$43.50	\$56.34	\$67.12	\$79.98	\$75.54	\$106.32	\$117.10	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	
Jack Smith Bldg Inspector Group 2	FIELD	\$41.50	\$52.34	\$63.12	\$75.98	\$71.54	\$102.32	\$113.10	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	\$38.00	
Prevailing Wage Work (Non-Example)		\$43.02	\$54.53	\$66.04	\$78.55	\$73.59	\$104.10	\$114.61	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	\$39.13	

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This is an example of a Cost Proposal that you would use for a Prevailing Wage Contract specifically for Actual Cost plus Fixed Fee or Specified Rate Contracts. This would not apply to Lump Sum Contracts.

This form is also referred to as the ADM-2033 for contracts with Caltrans or the 10-H4 for contracts with Local Agencies.

These forms can be found on A&I and Local Assistance's webpages, for which we will provide links at the end of this module on the resources page.

STATE OF CALIFORNIA - DEPARTMENT OF TRANSPORTATION
COST PROPOSAL
ON-CALL CONTRACT
ADM 2033 (Rev. 10/12)

NORTHERN CALIFORNIA
DPR DETERMINATION: NC-63-3-9-2016-1

Contract #X00A0000
Attachment 1
Consultant: Happy Consulting, Inc.
Date: 07/07/17
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[illegible]

PW Rates

Employee Actual Hourly Rates (Base and Fringe)

Formula Driven
Area

Effective Dates, Escalation, and Hourly Rates

14

15

Example of Cost Proposal for Prevailing Wages

STATE OF CALIFORNIA - DEPARTMENT OF TRANSPORTATION
COST PROPOSAL
ORIGINAL CONTRACT
ACM 2003 (Rev. 10/12)

NORTHERN CALIFORNIA
DIR DETERMINATION NC-43-S-2016-1

Contract # 03A00000
Attachment 1
Consultant: Happy Consulting, Inc.
Date: 07/07/17
Page 7 of 25

Field Office Personnel:		Fringe Benefit %	Overhead %	General Administration %	Combined %
NORMAL					147.06%
OVERTIME					147.06%
Fee					7.00%
Applicable Multiplier (with Base Profit)					2.740%
Applicable Multiplier (with Profit)					2.840%

Name/Classification	How Often Paid/Class Personnel	Prevailing Wage Rate established by new DIR (only applicable for prevailing wage rate)				Employee Actual Rate (bridge benefits every year over year)				Applicable DELTA TOTAL (1)				DELTA (BONUS) - Employee Rate - DIR Rate				Applicable DELTA TOTAL (2)				Applicable DELTA TOTAL (3) - DELTA (BONUS) - Employee Rate - DIR Rate				Loaded Hourly Billing Rate				Effective Date of Hourly Rate		% Evaluation Increase	Actual Hourly Rate with Average Hourly Rate	Hourly Range for Class
		Start Date	End Date	Start Date	End Date	Start Date	End Date	Start Date	End Date	Start Date	End Date	Start Date	End Date	Start Date	End Date	Start Date	End Date	Start Date	End Date	From	To													
John Doe Lead Inspector Shift 1	PER	\$43.56	\$46.34	\$47.12	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	1.00%	\$ 40.00	N/A				
Prevailing Wage Work (Example)		\$43.56	\$46.34	\$47.12	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	\$49.88	1.00%	\$ 40.00				
Jack Smith Bridg Inspector Shift 2	PER	\$41.56	\$42.34	\$43.12	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	1.00%	\$ 38.00	N/A			
Prevailing Wage Work (Example)		\$41.56	\$42.34	\$43.12	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	\$45.88	1.00%	\$ 38.00				

PW Rates

Now we will focus on what to input within the first section, which is where the Prevailing Wage Rates established by DIR and predetermined future increases will be entered.

An example of the DIR Determination Schedule where the Prevailing Wage rates are obtained will be displayed on the next slide. Please also note that in this example, the Prevailing Wage rate reflects an increase in the second year that was predetermined by DIR. We will discuss predetermined increases in an upcoming slide.

For this spreadsheet, you should identify each employee on the project and include their classification and shift (i.e. first shift or second shift). For each employee there should also be multiple rows to represent the salary rates for each year of the contract.

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Example Prevailing Wage Rates

Name/Classification	Home Office Personal Field/Office Personal	Prevailing Wage Rate established by State DWR (only applicable for prevailing wage work)						Employee Actual Rate (fringe benefits vary year over year)						Applicable DELTA (TOT) Employee Total -		
		Base Salary			Fringe Benefits			Base Salary			Fringe Benefits			Total = Base + Fringe		
		Straight	1.5 OT	2.0 OT	Straight	1.5 OT	2.0 OT	Straight	1.5 OT	2.0 OT	Estimate Fringe	Straight	1.5 OT	2.0 OT	Straight	1.5 OT
John Doe Lead Inspector Group 1	FIELD	\$43.56	\$65.34	\$87.12	\$29.98	\$73.54	\$95.32	\$117.10	\$40.00	\$40.00	\$40.00	\$22.00	\$62.00	\$82.00	\$111.54	\$33.32
		\$45.02	\$67.53	\$90.04	\$30.57	\$75.59	\$98.10	\$120.61	\$40.00	\$40.00	\$40.00	\$22.00	\$62.00	\$82.00	\$113.59	\$36.10
Prevailing Wage Work (Exempt)		\$45.02	\$67.53	\$90.04	\$30.57	\$75.59	\$98.10	\$120.61	\$40.80	\$40.80	\$40.80	\$22.00	\$62.80	\$82.80	\$112.79	\$35.90
		\$45.02	\$67.53	\$90.04	\$30.57	\$75.59	\$98.10	\$120.61	\$41.62	\$41.62	\$41.62	\$22.00	\$63.62	\$83.62	\$111.97	\$34.48
Jack Smith Bldg Inspector Group 2	FIELD	\$41.56	\$62.34	\$83.12	\$29.98	\$71.54	\$92.32	\$113.10	\$28.00	\$42.00	\$56.00	\$22.00	\$50.00	\$64.00	\$78.00	\$21.54
		\$43.02	\$64.53	\$86.04	\$30.57	\$73.59	\$95.10	\$116.61	\$28.00	\$42.00	\$56.00	\$22.00	\$50.00	\$64.00	\$78.00	\$23.59
		\$43.02	\$64.53	\$86.04	\$30.57	\$73.59	\$95.10	\$116.61	\$28.56	\$42.84	\$57.12	\$22.00	\$50.56	\$64.84	\$79.12	\$23.03
Prevailing Wage Work (Non-Exempt)		\$43.02	\$64.53	\$86.04	\$30.57	\$73.59	\$95.10	\$116.61	\$29.13	\$43.70	\$58.26	\$22.00	\$51.13	\$65.70	\$80.26	\$22.46

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In this section, within each row you will need to enter the Prevailing Wage hourly base rate and Prevailing Wage hourly fringe rate for the particular employee as it relates to their classification.

The other cells in this area will then automatically calculate.

17

Determination

Issue Date

Expiration Date

PW Rate

DIR Determination Schedule

GENERAL PREVAILING WAGE DETERMINATION MADE BY THE DIRECTOR OF INDUSTRIAL RELATIONS
PURSUANT TO CALIFORNIA LABOR CODE PART 7, CHAPTER 1, ARTICLE 2, SECTIONS 1770, 1773 AND 1773.1
FOR COMMERCIAL BUILDING, HIGHWAY, HEAVY CONSTRUCTION AND DREDGING PROJECTS
CRAFT: #BUILDING-CONSTRUCTION INSPECTOR AND FIELD SOILS AND MATERIAL TESTER

DETERMINATION: NC-43-1-9-2016-1

ISSUE DATE: August 22, 2016

EXPIRATION DATE OF DETERMINATION: June 30, 2017** The rate to be paid for work performed after this date has been determined. If work will extend past this date, the new rate must be paid and should be incorporated in contracts entered into now. Contact the Office of the Director - Research Unit for specific rates at (415) 703-4774.

LOCALITY: All localities within Alameda, Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Fresno, Glenn, Humboldt, Kings, Lake, Lassen, Madera, Marin, Mariposa, Mendocino, Merced, Modoc, Monterey, Napa, Nevada, Placer, Plumas, Sacramento, San Benito, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Shasta, Sierra, Siskiyou, Solano, Sonoma, Stanislaus, Sutter, Tehama, Trinity, Tulare, Tuolumne, Yolo and Yuba counties.

CLASSIFICATION (JOB/EMPLOYEE PERSON)	Basic Hourly Rate	Health and Welfare*	Pension and Holiday	Vacation and Holiday	Training and Holiday	Other Payments	Straight-Time		Overtime Hourly Rate	
							Hourly Rate	1 1/2X	1 1/2X	Sunday/ Holiday 2X
Group 1	43.56	13.63	9.44	5.94	0.78	0.19	\$	73.54	95.32	117.10
Group 2	41.56	13.63	9.44	5.94	0.78	0.19	\$	71.54	93.32	115.10
Group 3	35.42	13.63	9.44	5.94	0.78	0.19	\$	65.40	83.11	100.82
Group 4	30.19	13.63	9.44	5.94	0.78	0.19	\$	60.17	75.265	90.36

* Indicates no appreciable craft. The current apprenticeship wage rates are available on the Internet at <http://www.dir.ca.gov/OWEL-FWApp/WageFWApp/Wage5081.asp>. To obtain any apprentice wage rates as of July 1, 2008 and prior to September 27, 2012, please contact the Division of Apprenticeship Standards or refer to the Division of Apprenticeship Standards' website at <http://www.dir.ca.gov/OWEL-FWApp>.

** Amount shall be paid for all hours worked up to 173 hours per month.

* Rate applies to the first 4 daily overtime hours, Monday through Friday, and the first 8 hours on Saturday. All other overtime is paid at the Sunday/Holiday overtime rate.

CLASSIFICATIONS:

Group 1 ASST Level II-III DSA Masonry DSA Shuttering Lead Inspector NICET Level IV NDT Level Two	Group 2 AWC-CWI ICC Certified Structural Inspector NICET Level III Steel Wall/Floor System Inspector Building Construction Inspector	Group 3 Geotechnical Driller Soils/Asphalt Earthwork Grading Excavation and Backfill NICET Level II	Group 4 ACI Drillers Helper ICC Footprodding NICET Level I Proofload Testing Torque Testing NACE NDT Level One
---	--	---	---

RECOGNIZED HOLIDAYS: Holidays upon which the general prevailing hourly wage rate for Holiday work shall be paid, shall be all holidays in the collective bargaining agreement, applicable to the particular craft, classification, or type of worker employed on the project, which is on file with the Director of Industrial Relations. If the prevailing rate is not based on a collectively bargained rate, the holidays upon which the prevailing rate shall be paid shall be as provided in Section 6700 of the Government Code. You may obtain the holiday provisions for the current determinations on the Internet at <http://www.dir.ca.gov/OWEL-FWApp>. Holiday provisions for current or superseded determinations may be obtained by contacting the Office of the Director - Research Unit at (415) 703-4774.

TRAVEL AND/OR SUBSISTENCE PAYMENT: In accordance with Labor Code Sections 1773.1 and 1773.9, contractors shall make travel and/or subsistence payments to each worker to execute the work. You may obtain the travel and/or subsistence provisions for the current determinations on the Internet at <http://www.dir.ca.gov/OWEL-FWApp>. Travel and/or subsistence requirements for current or superseded determinations may be obtained by contacting the Office of the Director - Research Unit at (415) 703-4774.

DIR Website: <http://www.dir.ca.gov/Public-Works/Prevailing-Wage.html>

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This is an example of a DIR Determination Schedule obtained from the DIR website. The web address is included at the bottom of the slide.

- The DIR Determination number, which is dependent on the advertisement date of the contract, type of work, and the location of the project, is located in the upper left hand side of the schedule. You should record this number on the cost proposal.
- To ensure the Consultant is using the correct DIR Determination Schedule, the advertisement date of the contract should fall between the Issue Date and the Expiration Date listed for each DIR Determination Schedule.
 - In this case, the advertisement date of the contract is September 1, 2016. The issue date of this schedule is August 22, 2016 and the expiration date is June 30, 2017. Therefore, this DIR Determination Schedule is applicable to this contract as the advertisement date is between those two dates.
- On the DIR Determination Schedule there are different rates depending on the classification Groupings. Ensure that you select the correct grouping based on the employee's job classification.
- The cost proposal in the previous slide contains the following rates:
 - The prevailing wage Hourly Rate of \$43.56 for the classifications in Group 1, and
 - The Fringe benefits hourly rate of \$29.98 which is calculated by adding the costs under the columns: Health and Welfare, Pension, Vacation and Holiday, Training, and Other Payments.

Please make notes of these two hourly rates, \$43.56 (Base) and \$29.98 (Fringe) as they will be used in the upcoming slides.

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DIR Predetermined Increase

Obtained from:
<https://www.dir.ca.gov/OPRL/2016-2/PWD/Increases/Northern/NC-063-3-9-Pre.pdf>

DIR Predetermined Increases

For each DIR Determination Schedule, there may also be a related Predetermined Increase which will be added to either the Prevailing Wage hourly base rate, Prevailing Wage hourly fringe rate, or both as of a specific effective date.

The DIR Predetermined Increase that you see is related to the DIR# mentioned in the previous slide. It is *effective July 1, 2017 and shows a total increase of \$2.05, which includes \$1.46 allocated to the base hourly rate and \$0.59 to the fringe hourly rate.*

Prevailing Wage rates on Cost Proposals should properly reflect increases as applicable.

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Example of Actual Hourly Rates

Employee Actual Rate (fringe benefits vary year over year)							Applicable DELTA (TOTAL) = Employee Total - DRI Total			DELTA (BASE) = Employee Base - DRI Base			Applicable DELTA Base = DRI Rate - Employee Base Rate			Applicable DELTA FRINGE = DELTA TOTAL - DELTA BASE (Employee - DRI)		
Base Salary			Estimated Fringe	Total = Base + Fringe			Straight	1.5 OT	2.0 OT	Straight	1.5 OT	2.0 OT	Straight	1.5 OT	2.0 OT	Straight	1.5 OT	2.0 OT
Straight	1.5 OT	2.0 OT		Straight	1.5 OT	2.0 OT												
\$40.00	\$40.00	\$40.00	\$22.00	\$62.00	\$62.00	\$62.00	\$11.54	(\$33.32)	(\$55.10)	(\$3.56)	(\$25.34)	(\$47.12)	(\$3.56)	(\$25.34)	(\$47.12)	(\$7.98)	(\$7.98)	(\$7.98)
\$40.00	\$40.00	\$40.00	\$22.00	\$62.00	\$62.00	\$62.00	\$13.59	(\$36.10)	(\$58.61)	(\$5.02)	(\$27.53)	(\$50.04)	(\$5.02)	(\$27.53)	(\$50.04)	(\$8.57)	(\$8.57)	(\$8.57)
\$40.80	\$40.80	\$40.80	\$22.00	\$62.80	\$62.80	\$62.80	\$12.79	(\$35.30)	(\$57.81)	(\$4.22)	(\$26.73)	(\$49.24)	(\$4.22)	(\$26.73)	(\$49.24)	(\$8.57)	(\$8.57)	(\$8.57)
\$41.62	\$41.62	\$41.62	\$22.00	\$63.62	\$63.62	\$63.62	\$11.97	(\$34.48)	(\$56.99)	(\$3.40)	(\$25.91)	(\$48.42)	(\$3.40)	(\$25.91)	(\$48.42)	(\$8.57)	(\$8.57)	(\$8.57)
\$42.00	\$42.00	\$42.00	\$22.00	\$64.00	\$64.00	\$64.00	\$21.54	(\$38.32)	(\$55.10)	(\$13.56)	(\$30.34)	(\$27.12)	(\$13.56)	(\$30.34)	(\$27.12)	(\$7.98)	(\$7.98)	(\$7.98)
\$42.84	\$42.84	\$42.84	\$22.00	\$64.84	\$64.84	\$64.84	\$23.59	(\$31.10)	(\$38.61)	(\$15.02)	(\$22.53)	(\$30.04)	(\$15.02)	(\$22.53)	(\$30.04)	(\$8.57)	(\$8.57)	(\$8.57)
\$43.71	\$43.71	\$43.71	\$22.00	\$65.71	\$65.71	\$65.71	\$23.03	(\$30.29)	(\$37.49)	(\$14.46)	(\$21.69)	(\$28.92)	(\$14.46)	(\$21.69)	(\$28.92)	(\$8.57)	(\$8.57)	(\$8.57)
\$44.62	\$44.62	\$44.62	\$22.00	\$66.62	\$66.62	\$66.62	\$22.48	(\$29.41)	(\$36.35)	(\$13.89)	(\$20.84)	(\$27.78)	(\$13.89)	(\$20.84)	(\$27.78)	(\$8.57)	(\$8.57)	(\$8.57)

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Now let's discuss the second section of the cost proposal.

In this section the consultant should enter the employee's actual hourly base rate and estimated hourly fringe rate.

The actual hourly base rate will go under the column "Base Salary – Straight," and the estimated hourly fringe rate will go under the column "Estimated Fringe."

Note: upon billing, estimated hourly fringe rates should be restated at actual hourly fringe rates.

The rest of the columns in this section and the adjacent section to the right dealing with Deltas will self populate.

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Example of Effective Dates, Escalation & Hourly Rates

												Fee =		7.00%			
												Applicable Multiplier Delta Base (Field) =				2.6435	
												Applicable Multiplier Fringe (Field) =				2.6435	
DELTA (BASE) = Employee Base - DIR Base			Applicable DELTA Base = DIR Rate - Employee Base Rate			Applicable DELTA FRINGE = DELTA TOTAL - DELTA BASE (Employee - DIR)			Loaded Hourly Billing Rates			Effective Date of Hourly Rate		% Escalation Increase	Actual Hourly Rate and/or Average Hourly Rate	Hourly Range for Class	
Straight	1.5OT	2.0OT	Straight	1.5OT	2.0OT	Straight	1.5OT	2.0OT	Straight	OT (1.5x)	OT (2x)	From	To				
(\$3.56)	(\$25.34)	(\$47.12)	(\$3.56)	(\$25.34)	(\$47.12)	(\$7.98)	(\$7.98)	(\$7.98)	\$136.25	\$193.82	\$251.40	9/1/2016	6/30/2017		\$ 40.00	N/A	
(\$5.02)	(\$27.53)	(\$50.04)	(\$5.02)	(\$27.53)	(\$50.04)	(\$8.57)	(\$8.57)	(\$8.57)	\$141.67	\$201.17	\$260.68	7/1/2017	6/30/2018	0.00%	\$ 40.00		
(\$4.22)	(\$26.73)	(\$49.24)	(\$4.22)	(\$26.73)	(\$49.24)	(\$8.57)	(\$8.57)	(\$8.57)	\$141.67	\$201.17	\$260.68	7/1/2018	6/30/2019	2.00%	\$ 40.80		
(\$3.40)	(\$25.91)	(\$48.42)	(\$3.40)	(\$25.91)	(\$48.42)	(\$8.57)	(\$8.57)	(\$8.57)	\$141.67	\$201.17	\$260.68	7/1/2019	6/30/2020	2.00%	\$ 41.62		
\$13.56	(\$20.34)	(\$27.12)	(\$13.56)	(\$20.34)	(\$27.12)	(\$7.98)	(\$7.98)	(\$7.98)	\$130.96	\$162.88	\$194.81	9/1/2016	6/30/2017		\$ 28.00	N/A	
\$15.02	(\$22.53)	(\$30.04)	(\$15.02)	(\$22.53)	(\$30.04)	(\$8.57)	(\$8.57)	(\$8.57)	\$136.38	\$170.23	\$204.08	7/1/2017	6/30/2018	0.00%	\$ 28.00		
\$14.46	(\$21.69)	(\$28.92)	(\$14.46)	(\$21.69)	(\$28.92)	(\$8.57)	(\$8.57)	(\$8.57)	\$136.38	\$169.77	\$203.16	7/1/2018	6/30/2019	2.00%	\$ 28.56		
\$13.89	(\$20.84)	(\$27.78)	(\$13.89)	(\$20.84)	(\$27.78)	(\$8.57)	(\$8.57)	(\$8.57)	\$136.38	\$169.30	\$202.23	7/1/2019	6/30/2020	2.00%	\$ 29.13		

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Now we will discuss the section of the cost proposal where you will enter hourly rates, effective dates, and escalation increases.

For each employee, there should be multiple rows to represent the hourly rate effective for each year of the life of the contract.

When entering the information, you will enter the effective dates and the actual hourly rate for the first year of the contract.

Next you will enter the effective dates and the escalation increases for each subsequent year of the contract. Then, subsequent years' hourly rates will automatically self populate using the escalation increases.

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Example of ICR, Fee & Multipliers

Contract # XXXXXXXX
Attachment 1
Consultant: Happy Consulting, Inc.
Date: 07/07/17
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Field Office Personnel:	Fringe Benefit %	Overhead %	General Administration %	Combined %
NORMAL				= 147.06%
OVERTIME				= 147.06%
			Fee	= 7.00%
			Applicable Multiplier Delta Base (Field)	= 2.6435
			Applicable Multiplier Fringe (Field)	= 2.6435

Applicable Delta Base = Employee Base Rate		Applicable DELTA FRINGE = DELTA TOTAL - DELTA BASE (Employee - DFR)			Loaded Hourly Billing Rates			Effective Date of Hourly Rate		% Escalation Increase	Actual Hourly Rate and/or Average Hourly Rate	Hourly Range for Class
1.5 OT	2.0 OT	Straight	1.5 OT	2.0 OT	Straight	OT (1.5x)	OT (2x)	From	To			
\$25.34	(\$47.12)	(\$7.98)	(\$7.98)	(\$7.98)	\$136.25	\$193.82	\$251.40	9/1/2016	6/30/2017	0.00%	\$ 40.00	N/A
\$27.53	(\$50.04)	(\$8.57)	(\$8.57)	(\$8.57)	\$141.67	\$201.17	\$260.68	7/1/2017	6/30/2018		\$ 40.00	
\$26.70	(\$49.24)	(\$8.57)	(\$8.57)	(\$8.57)	\$141.67	\$201.17	\$260.68	7/1/2018	6/30/2019		\$ 40.60	
\$25.91	(\$48.42)	(\$8.57)	(\$8.57)	(\$8.57)	\$141.67	\$201.17	\$260.68	7/1/2019	6/30/2020		\$ 41.62	
\$20.34	(\$27.12)	(\$7.98)	(\$7.98)	(\$7.98)	\$130.96	\$162.88	\$194.81	9/1/2016	6/30/2017	0.00%	\$ 28.00	N/A
\$22.53	(\$30.04)	(\$8.57)	(\$8.57)	(\$8.57)	\$136.38	\$170.23	\$204.08	7/1/2017	6/30/2018		\$ 28.00	
\$21.69	(\$28.92)	(\$8.57)	(\$8.57)	(\$8.57)	\$136.38	\$169.77	\$203.16	7/1/2018	6/30/2019		\$ 28.56	
\$20.84	(\$27.76)	(\$8.57)	(\$8.57)	(\$8.57)	\$136.38	\$169.30	\$202.23	7/1/2019	6/30/2020		\$ 29.13	

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Example of ICR, Fee, and Multipliers

In this section, in the upper right hand corner, you should enter the applicable Indirect Cost Rate, Fee, and Multiplier which will be used to automatically calculate the Loaded Hourly Billing Rates.

Typically, for a Cost Proposal on Prevailing Wage contracts, *unless a firm maintains a single or combined rate*, you will only need a field office rate and not a home office rate.

You will also need to include in this section the appropriate Prevailing Wage multiplier for delta base and delta fringe, which as covered in the previous slides, is dependent on how you account for the deltas in your financial system.

We will discuss this in more detail in the next few slides.

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Multipliers Used In The Example Exercises

Accounting Method	Multiplied to	Example Multiplier
Direct Labor	Delta Base or Delta Fringe *(1+OH)*(1+Fee)	$(1+1.4706)*(1+.07)=2.6435$
Other Direct Cost	Delta Base or Delta Fringe * 1	1
Indirect Cost/Overhead	Delta Base or Delta Fringe * 0	0

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This slide summarizes the multipliers used for the different accounting methods again.

The multiplier for the Other Direct Cost and the Indirect Cost/Overhead methods will always remain the same at 1 and 0 respectively.

1 meaning the delta base and delta fringe are recovered dollar for dollar as Other Direct Costs, and

0 meaning the delta base and delta fringe will be removed because they are recovered in the Overhead by the Indirect/Overhead Method.

The multiplier for direct labor will change depending on your ICR and the fee. In this example, the full multiplier is 2.6435, and it will be used in the next slide.

[illegible]

This multiplier will automatically calculate the Prevailing Wage delta base, delta fringe, and Loaded Hourly Billing Rates.

Contract # J00A0001
Attachment 1
Consultant: Happy Consulting, Inc.
Date: 07/07/17
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[illegible]

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The next example we will go over is the Other Direct Cost Methodology which treats the delta base and delta fringe as Other Direct Costs.

For all examples, the DIR Determination and Employee information are the same.

Under the Other Direct Cost Method the Field Office Rate is 150%, which we previously calculated on slide 7, and the multiplier is 1.

The new rate and multiplier should be entered in the top right hand corner of the cost proposal as was entered for the previous example.

Once entered, the rate and multiplier will automatically be applied to the delta base, delta fringe, and the loaded hourly billing rates.

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The new rate and multiplier should be entered in the top right hand corner of the cost proposal as in the previous examples. Once entered the rate and multiplier will automatically be applied to the delta base, delta fringe, and the loaded hourly billing rates.

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DOCUMENTATION REQUIREMENTS

- ▶ Consultant should have a Prevailing Wage Policy in place to identify the methodology used to account for Prevailing Wage Delta Base and Delta Fringe.
- ▶ Policy should be established based on consistent accounting treatment and billing methodologies.
- ▶ Prevailing Wage Policy must be on company letterhead, dated, and certified by an appropriate officer of the company.

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Documentation Requirements

In order to be eligible for reimbursement, Caltrans requires a written prevailing wage policy detailing the consultant's accounting treatment of the deltas. The Prevailing Wage policy must be on company letterhead, dated, and certified by an appropriate officer that has the understanding and knowledge of the firm's accounting policies.

The policy can be as simple as a few sentences, as long as the accounting method used for Delta Base and Delta Fringe are clearly stated. The method chosen for Delta Base can differ from Delta Fringe, they don't need to be the same.

If a firm has their ICR audited, the firm must ensure their CPA tests the accounting treatment of prevailing wage deltas against their Prevailing Wage Policy and includes a disclosure note in the audit report on how the firm treats their deltas.

In addition, in order to be reimbursed by the contracting agency, the firm's method used for billing deltas should be consistent with their Prevailing Wage accounting treatment and policy.

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SAFE HARBOR RATE (SHR)

The SHR is a fixed overhead rate of 110%.

Documentation Requirements:

- Written prevailing wage policy on company letterhead, dated and certified by official personnel.
- Based on consistent accounting treatment and billing method.

Prevailing Wage Delta options for utilizing the SHR:

- Other Direct Cost.
- Indirect Labor or Overhead Cost.

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Safe Harbor Rate Firms

Firms utilizing a Safe Harbor Rate of 110% and participating on a prevailing wage contract are also required to have a prevailing wage policy.

Because the Safe Harbor Rate is not based on the development of the firm's actual Overhead rate, firms utilizing the SHR can only be reimbursed for the prevailing wage deltas as either, an Other Direct Cost or as an Indirect Labor Cost.

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FEDERAL AND STATE REQUIREMENTS

Federal Requirement:

- Davis-Bacon Act (40 U.S.C. Section 3141 set by U.S. Department of Labor)

State of California Requirement:

- California Labor Code Sections § 1770-1771 set by California Department of Industrial Relations (DIR)

Higher Rate – State vs Federal:

- California Code of Regulations § 16001(b)

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Federal and State Requirements

If you would like to learn more about federal and state requirements pertaining to Prevailing Wage, please refer to the Davis-Bacon Act, the California Labor Code, and the California Code of Regulations.

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RESOURCES

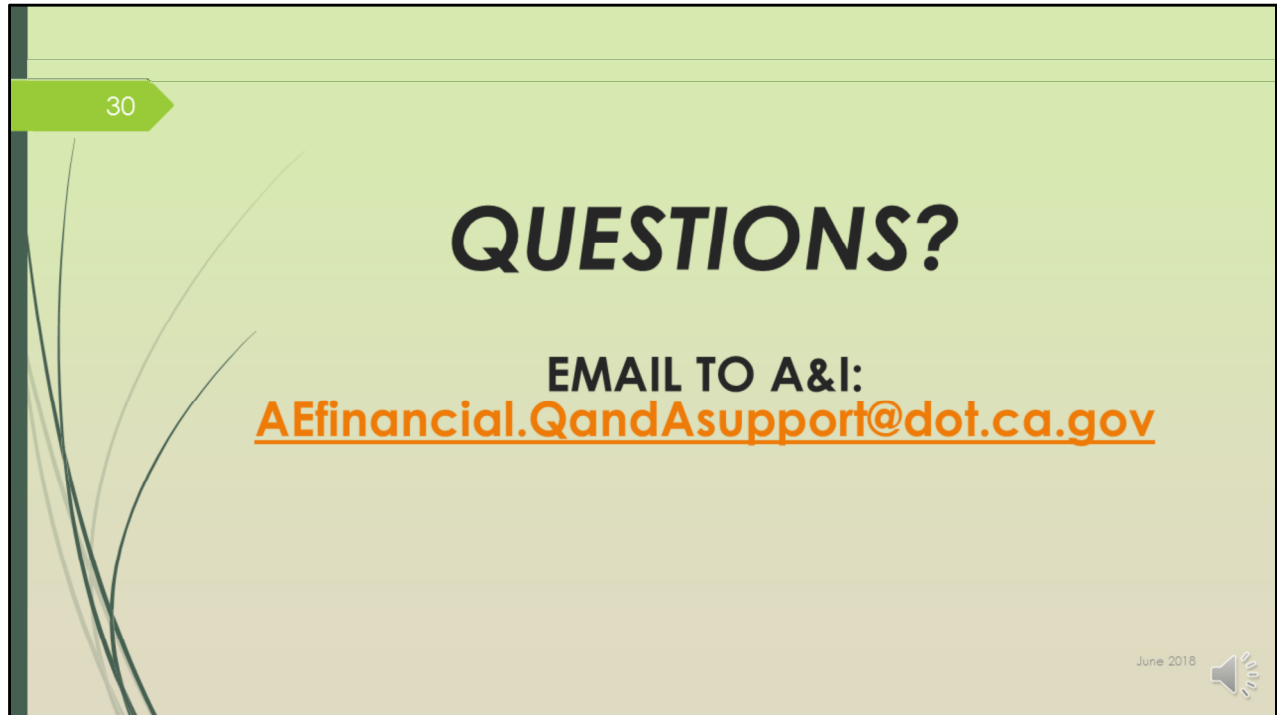
- American Association of State Highway and Transportation Officials (AASHTO) Uniform Audit & Accounting Guide for Audits of Architectural and Engineering Consultants, 2016 Edition:
 - <https://audit.transportation.org/?siteid=43>
- United States Department of Labor:
 - <https://www.dol.gov/whd/govcontracts/dbra.htm>
- California Department of Industrial Relations (DIR):
 - <http://www.dir.ca.gov/Public-Works/Prevailing-Wage.html>
- California Labor Code – Prevailing Wages:
 - https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=LAB&division=2.&title=&part=7.&chapter=1.&article=2
- California Code of Regulations – Prevailing Wages:
 - <https://www.dir.ca.gov/t8/16001.html>
- Independent Office of Audits and Investigations (A&I) for Interpretive Guidance:
 - <http://www.dot.ca.gov/audits/>
- Architectural and Engineering Contract Information:
 - <http://www.dot.ca.gov/dpac/viewaeinfo.html>
- Local Assistance Procedural Manual Forms:
 - <http://www.dot.ca.gov/hq/LocalPrograms/lam/forms/lapmforms.htm>

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These are additional resources that A&E firms can refer to specifically related to prevailing wages:

On A&I's Website you will also find:

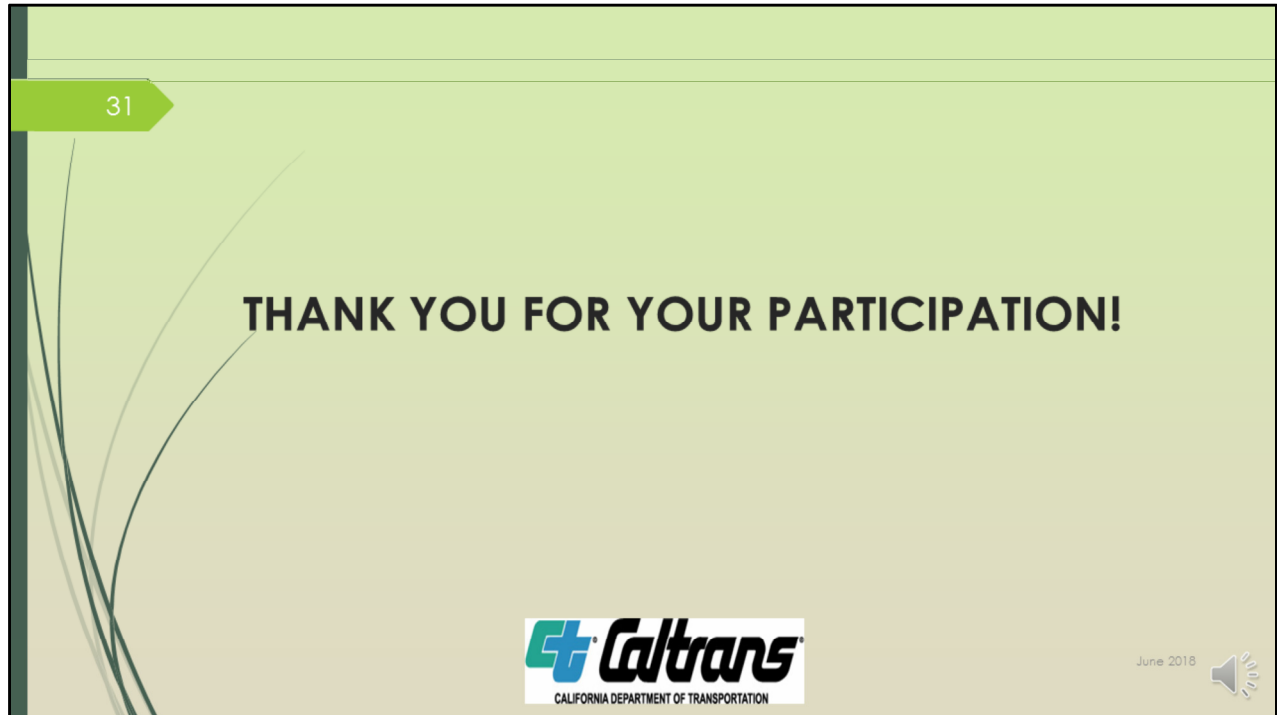
- Prevailing Wage Interpretive Guidance
- Prevailing Wage Training Modules
- Other interpretive guidance, webinars, and resources.



We hope this training gave you an understanding on how to account for Prevailing Wage rates on Prevailing Wage Contracts using the three different methodologies: Direct Labor Method, Other Direct Cost Method, and the Indirect Labor/Overhead Cost Method.

If you have not watched the first module, we encourage you to watch it as it discusses general information on Prevailing Wages and is a great tool to either introduce people to Prevailing Wages or to view them from a high level.

Should you have any questions or feedback, please feel free to contact us at the e-mail shown here.



This concludes our training. Thank you for your participation!